

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – NOVEMBER 21, 2002

PRESENT: Chairman John Byrne and Commissioners Anthony Maiola and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Accountant.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending November 18, 2002 indicates retail sales were down –11.33%, on-premise sales were up 3.3%, off-premise sales were down almost 15%, and total aggregate sales decreased by around –10%. Craig cautioned, however, to remember that last year pre-Thanksgiving sales had already taken place, so numbers were sufficiently higher. In addition, the weather last year was 50 degrees and sunny versus the bad weather this year. The traffic count was down by 6,976, as was the average sales ticket by \$2.85.

The W-1 Total Weekly Sales Report for the same period shows total sales for the week were down by –10.04% or (\$721,069), but were on the plus side for the year at 4.73% or \$6,203,193. Wine sales were also down around –12% or (\$438,317) for the week. However, they increased for the year by 8.76% or \$4,965,023. Sales of spirits decreased for the week by almost -8% or (\$282,752), and were up year-to-date by 1.67% or \$1,242,806.

B. Budget Reports:

Regarding depletions and post-offs, there is only one broker which continues to be in arrears. He has promised to submit a check within the next two days. Craig has asked the Accounts Payable staff to remind vendors and brokers of time commitments and making payments in a timely manner.

As requested by the Chairman, Craig submitted a memo asking for approval of a change in the time of the yearly inventory to the last week in March. It was moved by Commissioner Byrne, seconded by Commissioner Maiola, and unanimously adopted to approve this change. Craig and John Bunnell will coordinate efforts to send out letters to the brokers regarding this.

After last Thursday's Commission meeting, there was a meeting with Brian Law and his staff relative to the alternate IT site. Craig will submit a memo to the Commission which includes timelines for completion of this project.

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Craig said there continues to be an issue regarding direct deposits to reduce the number of checks going to stores. He asked that a form for direct deposit be included as part of the orientation packet for new employees, and said he would look into the matter further to determine if this can be done. Chairman Byrne commented that everything should be done to encourage employees to use direct deposit.

Ann Jordan from Paymatic will give a presentation at a meeting today at 2:30 p.m. regarding the gift card program. The company will be asked to give a step by step plan, and the vice president of sales will be available by telephone to answer any questions. John Bunnell, Peter Engel, a representative from O'Neil Griffin Bodi, several people from Craig's department and the Commission were invited to attend.

A look at the current W-6 Expense Budget Activity Variance Report indicates that as of November 19, 2002, expenses should be at around 38.90%, with actual expenditures at 39.9%. These figures are due primarily to timing differences between this year and last year. The biggest increase is in Class 60 Benefits.

Accounting is looking at implementing the Dunn and Bradstreet instant credit check process next week, which will provide the ability to instant on-line credit approval.

The Attorney General's Office has reviewed the credit card contract, and Mike Connor of Purchase and Property has drawn up a cover letter for it. As soon as exhibit B is completed, it will be forwarded for Governor and Council approval.

Other current projects include working on transition requests and putting together the four-year budget for next week.

2. IT Report

Howard reported that, in conjunction with the furniture move, a problem occurred when circuits were not properly marked, resulting in stores being knocked off credit card operations for about 45 minutes. The furniture project in the IT area should be completed by tomorrow.

Howard reviewed the major points on the IT Outstanding Projects List. The EDI project for product specifications is almost ready to go. Three Tuesdays in January have been scheduled for training, which should be for broker employees who actually work in this capacity. It will take between one and one and one-half hours to go over the process. Chairman Byrne asked that this be brought back before the Commission in a few weeks if no one has signed up for the training. He said it was important to impress upon the brokers that they need to send someone from their offices to be trained.

Carol Andersen has been writing up breakage procedures. The Commission has to create one internal program, and the rest of it is Law's responsibility.

When the new concept for polling 750ML sizes was initiated, the program wasn't processing the way it should, and only a handful of codes were processed. This was discovered on Monday or Tuesday. Licensees were not getting the 20% discounts. There was some discussion regarding this.

There are two other major issues, one of which is in the area of training. IT is working on a course for the new Mapper system (now called Business Information System) to teach employees how to use it. Broker training, discussed previously, is the second issue.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 11/17/02 were down (\$538,725.29) or -10.18%. The only thing of significance to report was that Store #48 Hinsdale was up 20% despite the decrease for the week.

A meeting was held with the Bedford planning board director, town manager and prospective landlord regarding the new location of the Bedford store. The town proposed conducting a traffic study of the old Route 101 corridor at a cost of about \$250,000. They were asked what they were using for figures and how they were comparing the Commission with the hardware store that had occupied that location previously. After conferring with their traffic consultant, it was discovered that they were applying the same numbers used in the traffic study for the Portsmouth Circle store some years ago. According to the planning board, if 25 or less cars are going into the store, there is no need for a traffic study. Actual customer counts from the previous location could be used, which may or may not be correct. Peter said they are trying to talk with the landlord to see if he is still interested. Another possible site might be a location at the old Caldor store plaza which is a 4,000 square foot stand alone building. The developer for this site will be contacted.

Concerning other store relocations, the new Brookline location is still projected to be finished next spring. Building is expected to begin after the first of the new year. Chairman Byrne asked if there were any inquiries regarding the Warner location at the budget meeting, and said to make sure the correct revenue estimate was being used.

2. Warehouse Report

(After this week, this report will be still be distributed, but no longer addressed at meetings.)

a. Annual Inventory:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a change in annual inventory for the Concord Warehouse from the last week in April to the last week in March, effective with next year's inventory, as recommended by Craig Bulkley, Bureau Chief of Administrative Services. The motion was unanimously adopted.

3. Purchasing Report

The latest out-of-stock report shows everything to be in good shape, with no "fast movers" listed.

4. Merchandising Report

A. SPIRITS:

1) Test Market Results (Codes #5027, #408 and #4236):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission grant specialty listings for Code #5027, 99 Apples, 750ML size and Code #408, Wild Turkey Honey Liquor, 750ML size, both of which did not earn their respective gross profits required for full distribution but did exceed the gross profits required for specialty status, and delist Code #4236, Fleischmann's Rum, 1.75L size, which failed to earn both gross profits required for full distribution and specialty listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) January Special Offers:

a. 33 items – Executive Wine & Spirits:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of thirty-three (33) spirit items, to be featured on sale during January 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 40 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of forty (40) spirit items, to be featured on sale during January 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 52 items – United Beverages, Inc.

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of fifty-two (52) spirit items, without matching funds, to be featured on sale during January 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

- 1) Special Offers for the Month of January 2003:

- a. 1 item – Charles Zoulias/Perfecta Wine Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Charles Zoulias/Perfecta Wine Company, based upon depletions of one (1) wine item, to be featured on sale during January 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 10 items – Pine State Trading Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of ten (10) wine items, to be featured on sale during January 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 28 items – Pine State Trading Co./E & J Gallo Winery:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State

Trading Company/E & J Gallo Winery, based upon depletions of twenty-eight (28) wine items, to be featured on sale during January 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 27 items – Executive Wine & Spirits:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of twenty-seven (27) wine items, to be featured on sale during January 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 3 items – Martignetti Companies of N.H. (December 2002):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of three (3) wine items, to be featured on sale from December 2002 through April 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. 66 items – Martignetti Companies of N.H:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of ten (10) wine items, to be featured on sale during January 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. 14 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of fourteen (14) wine items, to be featured on sale during January 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Proposed Wine Sale for February 2003:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a Winter Warmers Wine Sale to be conducted during the month of February 2003 with all 750ML size wines to be offered at 10% off on the purchase of a mixed or matched case of twelve (12) or more bottles, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Primary Source Submissions (13 items – exclusive agent; 12 items – imported):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of thirteen (13) wine codes which are not from primary source, but are offered by the exclusive marketing agent and twelve (12) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated November 15 through November 21, 2002. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all previously reviewed coupon (pad, necker and consumer offer) requests for the month of December 2002. The motion was unanimously adopted.

3. Late Items:

a. January Special Offers (54 items – United Beverages, Inc.):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of fifty-four (54) spirit

items, to be featured on sale during January 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Special Offers for January 2003:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of sixty-nine (69) wine items, to be featured on sale during January 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Recommended Wine Specialty Products (12 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve twelve (12) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Recommended Allocated and Restricted Wines for Distribution to Selected Stores (3 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve three (3) allocated and restricted wines for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Wine Close-Outs:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve seventy-five (75) wine items to be placed on a close-out sale in selected stores, as recommended by Nicole Horton, Wine Market Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. Referred Back (Villa Massa):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a change in specialty item status to full distribution for Code #5689, Villa Massa Lemon Liqueur, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. 50ML Gross Profit Requirement (removed from agenda):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the requirement of a yearly gross profit level on 50ML size products of \$3,000 and 1 and ½ times the yearly gross profit on any requested 50ML size item that is also regularly listed (line extension), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

In addition, it was moved by Commissioner Maiola, seconded by Commissioner Russell, that fifteen (15) 50ML size products that do not meet the \$3,000 gross profit be delisted. The motion was unanimously adopted.

h. Spring Wine Promotion:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the “Set Sail for Savings” spring wine promotion, scheduled for March, April and May 2003, including products to be included in the gold, silver and bronze categories, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

John W. Byrne, Chairman

Anthony C. Maiola, Commissioner

Patricia T. Russell, Commissioner

